Sino Grandness Food Industry Group Limited
(Incorporated in the Republic of Singapore)
(Company Registration No.: 200706801H)

THIRD QUARTER AND NINE-MONTH FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2020

PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comparative income or a statement of comprehensive income, for the group together with a comprehensive statement for the corresponding period of the immediately preceding financial year

	3Q			NINE MONTHS (9M)		
	Jul-Sep 2020	Jul-Sep 2019	Change	Jan-Sep 2020	Jan-Sep 2019	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	168,472	1,112,946	(84.9)	660,185	2,548,622	(74.1)
Cost of sales	(636,716)	(727,404)	(12.5)	(1,138,867)	(1,691,601)	(32.7)
Gross (loss)/profit	(468,244)	385,542	(221.5)	(478,682)	857,021	(155.9)
Other operating income	18,975	3,443	n.m.	64,203	8,994	n.m.
Distribution and selling expenses	(82,531)	(140,033)	(41.1)	(338,020)	(395,601)	(14.6)
Administrative expenses	(27,619)	(30,405)	(9.2)	(101,237)	(85,508)	18.4
Other operating expenses	(187)	-	-	(10,106)	-	-
Finance costs	(35,161)	(16,976)	107.1	(85,791)	(46,797)	83.3
(Loss)/profit before income tax	(594,767)	201,571	(395.1)	(949,633)	338,109	(380.9)
Taxation	55,677	(54,220)	(202.7)	93,268	(105,809)	(188.1)
Net (loss)/profit for the period	(539,090)	147,351	n.m.	(856,365)	232,300	n.m.
Other comprehensive income	-	-	0.0%	-	-	-
Total comprehensive income for the period	(539,089)	147,351	n.m.	(856,365)	232,300	n.m.
Profit for the period attributable to:						
Equity holders of the parent	(539,049)	147,387		(856,214)	232,535	
Non-controlling interests	(41)	(36)		(151)	(235)	
	(539,090)	147,351		(856,365)	232,300	
Total comprehensive income for the period attributable to:						
Equity holders of the parent	(539,049)	147,387		(856,214)	232,535	
Non-controlling interests	(41)	(36)		(151)	(235)	
	(539,090)	147,351		(856,365)	232,300	

1(a)(ii) Profit before income tax is determined after (charging)/crediting:-

	3Q			NINE MONTHS (9M)		
	Jul-Sep 2020	Jul-Sep 2019	Change	Jan-Sep 2020	Jan-Sep 2019	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Depreciation and amortisation	(46,636)	(29,778)	56.6	(125,054)	(94,639)	32.6
ESOS expenses	-	-	n.m.	-	(4,846)	n.m.

Other operating income

	3Q			NINE MONTHS (9M)		
	Jul-Sep 2020	Jul-Sep 2019	Change	Jan-Sep 2020	Jan-Sep 2019	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Government grants	352	72	n.m.	612	82	n.m.
Interest income - banks	320	314	2.1	863	777	11.1
Exchange gains/(losses)	16,616	(161)	n.m.	16,616	(1,033)	n.m.
Fair value changes on bonds	-	-	-	41,850	-	n.m.
Others	1,687	3,219	(47.6)	4,262	9,168	(53.5)
Total	18,975	3,443	451.1	64,203	8,994	613.8

n.m. – Not meaningful

Note:-
The net exchange gains/(losses) in 9M2020 and 9M2019 were mainly attributable to exchange gains/(losses) from operation arising from exchange rate differences mainly between United States Dollar and Renminbi.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	30 Sep 20	31 Dec 19	30 Sep 20	31 Dec 19
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	1,794,675	1,608,168	13	17
Land use rights	-	-	-	-
Subsidiaries	-	-	258,784	258,784
Amount owing by subsidiaries	-	-	464,910	560,370
Deferred tax assets	-	-	-	-
Deposit paid for non-current assets	187,495	553,600	-	-
Total non-current assets	1,982,170	2,161,768	723,707	819,171
Current assets				
Inventories	58,799	10,675	-	-
Trade receivables	1,360,014	1,346,276	-	-
Other receivables	395,479	978,824	12,352	331
Cash and cash equivalents	548,856	600,189	646	1,528
Total current assets	2,363,148	2,935,964	12,998	1,859
Current liabilities				
Trade payables	196,702	15,842	-	-
Other payables	153,673	103,167	43,244	81,914
Obligation under finance leases	347	302	-	-
Current tax payable	12,832	42,387	196	229
Bank borrowings	224,280	234,838	-	
Loan from a shareholder (note)	158,877	147,224	158,877	147,224
Straight bonds	260,444	247,052	-	-
Amount owing to subsidiaries	-	-	48,088	47,768
Exchangeable bonds	474,997	484,792	-	-
Total current liabilities	1,482,154	1,275,604	250,405	277,135
Net current assets/(liabilities)	880,994	1,660,360	(237,407)	(275,276)
Non-current liabilities				
Obligation under finance leases	1,017	1,288	-	-
Deferred tax liabilities	278,796	381,124	20,242	50,944
Total non-current liabilities	279,813	382,412	20,242	50,944
Net assets	2,583,351	3,439,716	466,058	492,951
Equity				
Equity attributable to equity holders of the Parent				
Share capital	791,500	791,500	791,500	791,500
Retained profits/(accumulated losses)	1,486,298	2,346,340	(401,920)	(375,027)
Other reserves	293,454	289,626	76,478	76,478
Total shareholder's funds	2,571,252	3,427,466	466,058	492,951
Non-controlling interests	12,099	12,250	-	-
Total equity	2,583,351	3,439,716	466,058	492,951

Note: Refer to convertible loan from Soleado Holdings Pte. Ltd. ("Soleado")

1(b)(ii) Aggregate amount of group's borrowings and debt securities

	30 Sep 2020	31 Dec 2019
	RMB'000	**RMB'000**
Amount repayable in one year or less or on demand		
Secured	46,847	349,666
Unsecured	889,569	730,152
	936,416	1,079,818
Amount repayable after one year		
Secured	1,017	5,361
Unsecured	-	-
	1,017	5,361
	937,433	1,085,179

Details of collaterals:-

The secured bank borrowings are secured by a mortgage over the Group's factory and warehouse premises, land use rights, security deposits, personal guarantee by director of the Company, Huang Yupeng and corporate guarantees.

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	3Q		NINE MONTH (9M)	
	Jul-Sep 2020 RMB'000	Jul-Sep 2019 RMB'000	Jan – Sep 2020 RMB'000	Jan – Sep 2019 RMB'000
Cash flows from operating activities:				
(Loss)/profit before income tax	(595,467)	201,571	(949,633)	338,109
Adjustments for:				
Depreciation of property, plant and equipment	46,636	29,778	125,504	94,639
Share-based payment expense under ESOS scheme	-	-	-	4,846
Interest expenses	34,999	16,976	85,446	46,797
Interest income	(320)	(314)	(863)	(777)
Changes in fair value of bonds	-	-	(41,850)	-
Exchange gains	(20,464)	-	(37,315)	-
Loss on disposal of fixed assets	-	-	9,129	-
Operating cash flows before working capital changes	(533,916)	248,011	(809,582)	483,614
Decrease/(increase) in inventories	1,261	127,894	(48,124)	(31,459)
Decrease/(increase) in operating receivables	289,867	(336,429)	569,609	(458,986)
Increase/(decrease) in operating payables	201,890	(29,138)	300,489	40,391
Cash (used in)/generated from operations	(40,898)	10,338	12,392	33,560
Income tax paid	-	(27,334)	(45,144)	(91,881)
Net cash used in operating activities	(40,898)	(16,996)	(32,752)	(58,321)
Cash flows from investing activities:				
Acquisition of property, plant and equipment	-	(10,516)	(17,718)	(25,284)
Deposit refunded/(paid) for non-current assets	-	14,875	-	(5)
Interest received	320	314	863	777
Net cash generated from/(used in) investing activities	320	4,673	(16,855)	(24,512)
Cash flows from financing activities:				
Proceeds from share issue	-	18,564	-	35,519
Bank loans drawdown	16,500	12,644	59,500	59,866
Bank loans repaid	(75)	(2,662)	(226)	(6,906)
Repayment of finance lease liabilities	(18,000)	(1,000)	(61,000)	(44,670)
Interest paid	-	(3,357)	-	(17,787)
Net cash (used in)/generated from financing activities	(1,575)	24,189	(1,726)	26,022
Net (decrease)/increase in cash and cash equivalents	(42,153)	11,866	(51,333)	(56,811)
Cash and cash equivalents at beginning of period	591,009	545,587	600,189	614,264
Cash and cash equivalents at end of period	548,856	557,453	548,856	557,453

	3Q		NINE MONTH (9M)	
	Jul-Sep 2020 RMB'000	**Jul-Sep 2019 RMB'000**	**Jan – Sep 2020 RMB'000**	**Jan – Sep 2019 RMB'000**
Cash and cash equivalents comprise:				
Cash and bank balances	548,856	557,453	548,856	557,453
Fixed deposits	-	-	-	-
	548,856	557,453	548,856	557,453
Less: Fixed deposits pledged	-	-	-	-
	548,856	557,453	548,856	557,453

Reconciliation of liabilities arising from financing activities

With effective from 1 January 2017, the Amendments to FRS 7 *Statements of Cash Flow* comes with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The following is the disclosures of the reconciliation of items for which cash flows have been, or would be, classified as financing activities, excluding equity items:

	Bank borrowings RMB'000	Finance leases RMB'000	Convertible loan RMB'000	Straight bonds RMB'000	Exchangeable bonds RMB'000
At 1 January 2020	234,838	1,590	147,224	247,052	484,792
Cash flow					
Drawdown of bank borrowings	69,500	-	-	-	-
Repayment of bank borrowings	(71,000)	-	-	-	-
Repayment of lease liabilities	-	(226)	-	-	-
Interest paid	-	(90)	-	-	-
Non-cash changes					
Changes in fair value of exchangeable bonds	-	-	-	-	(41,850)
Accrued interest	24,172	90	15,737	13,392	32,055
Exchange translation	(33,230)		(4,085)	-	-
At 30 September 2020	224,280	1,364	158,877	260,444	474,997

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Share capital	Retained profits	Share option Reserve	Merger reserve	Statutory common reserve	Attributable to equity holders of the Company	Non-controlling interests	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group								
Balance at 1 January 2019	755,345	2,163,140	78,497	(31,414)	233,025	3,198,593	13,849	3,212,441
Issue of shares	36,155	-	-	-	-	36,155	-	36,155
Profit/(loss) for the year and representing total comprehensive income for the year	-	194,736	-	-	-	194,736	(1,599)	193,137
Share-based payment expenses under ESOS scheme	-	-	(2,018)	-	-	(2,018)	-	(2,018)
Transfer to statutory reserve	-	(11,536)	-	-	11,536	-	-	-
Balance at 31 December 2019	791,500	2,346,340	76,479	(31,414)	244,561	3,427,466	12,250	3,439,716
Loss for the period and representing total comprehensive income for the period	-	(856,214)	-	-	-	(856,214)	(151)	(856,365)
Transfer to statutory reserve	-	(3,828)	-	-	3,828	-	-	-
Balance at 30 September 2020	791,500	1,486,298	76,479	(31,414)	248,389	2,571,252	12,099	2,583,351

Company	Share capital	Accumulated losses	Share option reserves	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2019	755,345	(363,671)	78,496	470,169
Issue of shares	36,155	-	-	36,155
Share-based payment expenses under ESOS scheme	-	-	(2,018)	(2,018)
Loss for the year representing total comprehensive income for the year	-	(11,355)	-	(11,355)
Balance at 31 December 2019	791,500	(375,026)	76,478	492,951
Loss for the period representing total comprehensive income for the period	-	(26,894)	-	(26,894)
Balance at 30 September 2020	791,500	(401,920)	76,478	466,058

(d) (ii) Details of any changes in the company's share capital arising from right issues, bonus issue, share buy-back, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediate preceding financial year.

The Company granted four tranches of options under ESOS Scheme on 9 April 2015, 20 May 2016, 24 May 2017 and 25 May 2018 that give holders the right to subscribe for ordinary shares as detailed below:

Date of grant	Exercise price of Option Granted (SGD per share)	Expiry date
9 April 2015	0.33*	8 April 2025
9 April 2015	0.26*	8 April 2025
20 May 2016	0.49*	19 May 2026
24 May 2017	0.18	23 May 2027
25 May 2018	0.22[(1)]/0.18[(2)]	24 May 2028

*As announced by the Company on 25 October 2018, the exercise price of these options granted were adjusted due to issuance of right issue in March 2017.

[(1)] Exercise price of option granted to directors (other than associate of controlling shareholder) and employees.
[(2)] Exercise price of option granted to associate of controlling shareholder.

Number of options outstanding under ESOS scheme as at 30 September 2020 was 51,776,822.

As shown in the above, there were no other outstanding convertible securities treasury shares and subsidiary holdings as at 30 June 2020 and 31 December 2019.

1(d) (iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 30 Sep 2020	**As at 31 Dec 2019**
Total number of ordinary shares issued and fully paid	1,149,410,658	1,149,410,658

The Company does not have treasury shares as at 30 September 2020 and 31 December 2019.

1(d) (iv) A statement showing all sales, transfers, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable

1(d)(v) A statement showing all sales, transfer, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have neither been audited nor reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as set out in Note 5 of this announcement, the accounting policies and methods of computation have been consistently applied by the Group and by the Company and are consistent with the audited financial statements for the financial year ended 31 December 2019.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2019.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends (a) based on the weighted average number of ordinary shares on issue; and (b) on a fully diluted basis (detailing any adjustments made to the earnings).

Earnings per share (EPS)	**3Q**		**NINE-MONTH (9M)**	
	Jul-Sep 2020	**Jul-Sep 2019**	**Jan-Sep 2020**	**Jan – Sep 2019**
EPS based on average number of ordinary shares (RMB cents)	(46.9)	14.5	(74.5)	23.0
EPS on a fully diluted basis (RMB cents)	(46.9)	14.5	(74.5)	23.0
Weighted average number of ordinary shares ('000)	1,149,411	1,013,178	1,149,411	1,013,178
Weighted average number of ordinary shares – diluted ('000)	1,149,411	1,013,178	1,149,411	1,013,178

Basic earnings per share for 3Q2020 and 9M2020 are calculated based on the Group's loss after taxation attributable to ordinary shareholders of RMB 539,049,000 and RMB 856,213,000 respectively on weighted average number of ordinary shares of 1,149,410,658.

For comparative purpose, the basic earnings per share for 3Q2019 and 9M2019 were calculated based on the Group profit after taxation of RMB 147,387,000 and loss after taxation RMB 232,535,000 respectively on weighted average number of ordinary shares issued of 1,013,178,000 which is computed based on 110 days of new shares issued of 85,000,000 under the placement (1) and 35 days of new shares issued of 85,000,000 under the placement (2)

The fully diluted earnings per share for 3Q2020 and 9M2020 were are calculated based on the Group's loss after taxation attributable to ordinary shareholders of RMB 539,049,000 and RMB 856,213,000 respectively on weighted average number of ordinary shares of 1,149,410,658 after adjusting for the outstanding options under ESOS scheme.

For comparative purpose, the diluted earnings per share for 3Q2019 and 9M2019 were calculated based on the Group profit after taxation of RMB 147,387,000 and loss after taxation RMB 232,535,000 respectively on weighted average number of ordinary shares of 1,013,178,000 after adjusting for the outstanding options under ESOS scheme.

7. Net assets value (for the issuer and group) per ordinary share based on the total number of issued share excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.

Net asset value (NAV)	**Group**		**Company**	
	30 Sep 2020	**31 Dec 2019**	**30 Sep 2020**	**31 Dec 2019**
Number of ordinary shares	1,149,410,658	1,149,410,658	1,149,410,658	1,149,410,658
NAV per ordinary share in the Company (RMB cents)	224.8	299.3	40.5	42.9

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must include a discussion of the following: (a) any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonable or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of performance

Revenue

The Group's revenue decreased by approximately RMB1,888.4 million or 74.1% from RMB2,548.6 million in 9M2019 to RMB660.2 million in 9M2020, mainly due to effects of COVID-19 restrictions.

Breakdown of revenue by segments:

	3Q			NINE-MONTHS (9M)		
	Jul –Sep 2020	Jul –Sep 2019	Change	Jan – Sep 2020	Jan – Sep 2019	Change
Product segment	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Canned products						
- overseas	25,082	138,224	(81.9)	123,263	304,564	(59.5)
- domestic	31,382	85,475	(63.3)	119,970	209,135	(42.6)
Beverage	112,009	889,247	(87.4)	416,952	2,034,923	(79.5)
Total	**168,472**	**1,112,946**	**(84.9)**	**660,185**	**2,548,622**	**(74.1)**

Gross profit

Overall gross profit margin (GPM) decreased by approximately RMB1,335.7 million equivalent to 106.1%, from 33.6% in 9M2019 to -72.5% in 9M2020, as a result of a decrease in all product segments, particularly beverage segment which registered a drop of 79.5% of revenue from RMB2,034.0 million in 9M2019 to RMB417.0 million in 9M2020. The decrease is in line with the slowdown in sales due to COVID-19 pandemic and product rebate offered ranging from 3% to 6% for sales order more than RMB20 million and above. The product rebates took effect since 2Q2020 till year end. Hence, gross profit margin deprived due to higher product rebates claimed during the quarter as customers cumulatively have achieved the minimum sales order of RMB20 million and above progressively.

Other operating income

The RMB64.2 million in the other operating gain mainly relates to fair value gains in relation to Exchangeble Bonds of RMB41.9 million and net exchange gains. The net exchange gain was evidenced with strengthening of RMB against USD (average rate Sep 20: RMB6.79/USD vs June 20: RMB 7.07/USD) on foreign loan, foreign bank borrowings drawdowns/settlements and operation arising from exchange rate differences between United States Dollar and Renminbi.

Please refer to the 1Q2020 Quarterly Announcements for more details on fair value gains in relation to Exchangeble Bonds.

Operating expenses

Distribution and selling expenses only decreased by approximately RMB57.6 million or 14.6%, from RMB395.6 million in 9M2019 to RMB338.0 million in 9M2020, despite with much slower demand evidenced with 74.1% drop from RMB2,548.6 million in 9M2019 to RMB660.2 million in 9M2020. The distribution and selling cost in line with the higher frequency of delivering rebated products to customers for fulling sales order of RMB20 million and above. The Company continued to deliver products regardless customers fulfilled minimum quantity delivery.

Administrative expenses was evidenced with the further increase of RMB57.6 million or 14.6%, from RMB85.6million in 9M2019 to RMB101.2 million in 9M2020 despite 74.1% drop in revenue from RMB2,548.6 million in 9M2019 to RMB660.2 million in 9M2020. This is due to manufacturing plants' depreciation being charged-out as administrative expenses instead of cost of sales as factories production were halted in relation to COVID-19 pandemic.

Finance costs

Finance costs increased by approximately RMB39.0 million or 83.3%, from RMB46.8 million in 9M2019 to RMB85.8 million in 9M2020. The increase in finance costs was mainly due to additional accruals of interest costs during quarter.

Profit before taxation

Profit before taxation decreased by approximately RMB1,287.7 million, from RMB338.1 million in 9M2019 to a loss before taxation of RMB949.6 million in 9M2020. The decrease was mainly due to a significant decrease in gross profit coupled with finance costs and administrative costs.

Review of Balance Sheet

Property, plant and equipment increased by approximately RMB186.5 million from RMB1,608.2 million in FY2019 to RMB1,794.7 million in 3Q2020 because of the completed construction of the Group's production plant and machinery for its canned food and fruit beverage in Anhui, Hubei and Sichuan., in which corresponded with the decrease in deposits paid from non-current assets.

Deposit paid for non-current assets decreased by approximately RMB366.1 million, from RMB553.6 million in FY2019 to RMB187.5 million in 3Q2020 which was mainly due to reasons as mentioned above.

Inventories increased by approximately RMB48.1 million from RM10.7 million in FY2019 to RMB58.8 million in 3Q2020. Higher inventory was mainly due to ramp up of production activity in anticipation of improvement in demand in subsequent periods.

Trade receivables increased by approximately RMB13.7 million from RMB1,346.3 million in FY2019 to RMB1,360.0 million in 2020, due to slow collection from the customers due to COVID-19 events despite significant low sales evidenced since 1Q2020 until 3Q2020.

Other receivables decreased by approximately RMB619.3 million from RMB978.8 million in FY2019 to RMB395.5 million in 3Q2020. Other receivables comprised of VAT receivables, export tax refund and deposits and prepayments.

Cash and cash equivalents stood at RMB548.9 million as of 30 September 2020 as compared to FY2019 of RMB600.2 million. Noted minimal movement as the Group is conserving cash to counter the potential effects of COVID-19 pandemic.

Current liabilities increased by RMB206.5 million from RMB1,275.6 million in FY2019 to RMB1,482.2 million in 3Q2020. The increase was mainly attributable to an increase in trade payables of RMB180.9 million and other payables of RMB166.0 million by conserving cash in order to maintain its optimal working capital.

Equity interest decreased by RMB856.2 million from RMB3,439.7 million as at 31 December 2019 to RMB2,583.4 million as at 30 September 2020 in line with the financial losses incurred during the year.

Review of cash flow statement

For 9M2020, net cash outflow from operating activities is RMB32.8 million, as the negative cash flows before working capital changes were set off by the realization of working capital to support operations.

Net cash used in investing activities amounted to RMB16.9 million in 9M2020, which was due mainly to amount paid for acquisition of property, plant and equipment.

In addition, net cash used in financing activities amounted to RMB1.7 million in 9M2020.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Global macro risks and market volatilities are expected to heighten and shipments disruptions to continue as geopolitical events unfold. Notwithstanding this challenging backdrop, the Group expects the food and beverage industry to remain resilient.

The Group continues to execute its strategy by investing for the future with new manufacturing assets and enhanced capabilities in innovation. The Group will also continue to enhance brand visibility to grow our market share domestically and internationally.

While overall end-consumer demand may be subjected to short term fluctuations, the Group remains well-positioned to meet customer needs, with strong and expanding research and development so as to increase the product offerings and to consider new sales channels.

Moving forward, the Group will continue to execute its strategy of scaling up its production and distribution operations while it continues to explore capital investment plans to strengthen its cashflows. The Group is focused on executing its differentiated strategy to deliver profitable growth and optimal returns.

Update on receipt of letter of demand from Goldman Sachs Investments Holdings (Asia) Limited

On 2 July 2024, the Company received letter of demand from Goldman Sachs Investments Holdings (Asia) Limited dated 28 June 2024 in relation the sums of RMB396,577,356 and USD150,372,476.

The Company disagrees with the amount claimed and considers the demand to be opportunistic due to excessive interest charges. The negotiation with Goldman Sachs Investments Holdings (Asia) Limited on the letter of demand is still ongoing as of now. The Company would make the necessary announcement as and when there is any material development.

Update on overdue loan from a related party - Soleado Holdings Pte. Ltd.

On 5 June 2020, Soleado has, in writing, informed the Company that the shareholders of Soleado may require Soleado to demand settlement or to take legal action against the Company if warranted. In addition, the pledged shares (102 million shares) of the Company owned by Huang Yupeng will be realised if called upon.

The Company is currently in discussion with the lender to extend the repayment of principal and interest. The Company would make the necessary announcement as and when there is any material development. The Company has repaid approximately RMB11.0 million to Soleado from the placement proceeds as details set up in paragraph 15 below.

Update on proposed listing of Garden Fresh

The Company continues in its effort towards the proposed listing of its beverage business ("Proposed Listing"). The Company will keep shareholders updated on any material developments relating to the Proposed Listing as and when appropriate.

11. Dividends

Current financial period reported on

Any dividend declared for the current financial period reported on?

None

Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

Date payable

Not applicable

Books closure date

Not applicable

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/recommended for the half year ended 30 September 2020 to enable the Group to conserve cash for working capital purposes.

13. Interested Person Transactions ("IPT")

The Company has not obtained a general mandate from shareholders for interested person transactions.

14. Statement pursuant to SGX Listing Rule 705(5) of the Listing Manual

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render unaudited third quarter financial results for the period ending 30 September 2020 to be false or misleading in any material aspect.

15. Use of net proceeds

The Board refer to the issuance of 85,000,000 shares by the Company in August 2019 ("Placement 2019 (2)"). As at the date of this announcement, the Group had fully utilized the net proceeds from the Placement 2019 (2) as follows :-

Use of net proceeds	Allocation (%)	Amount allocated (RMB'000)	Accumulated amount utilized (RMB'000)	Balance (RMB'000)
(a) Repayment of outstanding sums due to Soleado	60	10,965	10.965	-
(b) General working capital	40	7,310	7,310	-
- Operating expenses		7,310	7,310	-
Total	**100**	**18,275**	**18,275**	**-**

16. Statement pursuant to SGX Listing Rule 720(1) of the Listing Manual

The Company confirms that it has already procured undertakings from all of its Directors and executive officers in the format as set out in Appendix 7.7 of the SGX-ST Listing Manual in accordance to Rule 720 (1) of the SGX-ST Listing Manual.

BY ORDER OF THE BOARD
HUANG YUPENG
CHAIRMAN AND CEO
13 August 2024